



Chartered Accountants
& Business Advisors

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2017



Chartered Accountants
& Business Advisors

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

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PALO SECO AGRICULTURAL ENTERPRISES LIMITED

Registered Office: Administration Building,
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Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Palo Seco Agricultural Enterprises Limited, which comprise the statement of financial position as at 30 September 2017, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Signed

May 24th, 2018


Signed

May 24th, 2018

Directors

Mr. Lionel Wayne De Chi (Chairman), Ms. Elizabeth Mohammed-Ali (Deputy Chairman), Ms. Sandra Elcock-Stanislaus,
Mr. Ernest Esdelle, Mr. Louis J. Frederick, Ms. Phyllis Gall, Mr. Adrian Jeffers,
Mr. Farrell Philbert, Ms. Geeta Rampersad.



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders Palo Seco Agricultural Enterprises Limited

Opinion

We have audited the financial statements of Palo Seco Agricultural Enterprises Limited, which comprise the statement of financial position, 30 September 2017, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Palo Seco Agricultural Enterprises Limited, 30 September 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Palo Seco Agricultural Enterprises Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw attention to **Note 2k** to the financial statements, which indicates that the consistent non-receipt of amounts due from related parties has adversely affected the working capital of the company, leading to its inability to fulfill its current obligations to various contractors. This condition indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

PKF Chartered Accountants and Business Advisors (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville

INDEPENDENT AUDITORS' REPORT (Cont'd)**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



24 May 2018
BARATARIA
TRINIDAD

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>30 September</u>	
		<u>2017</u> (<u>\$</u>)	<u>2016</u> (<u>\$</u>)
ASSETS			
Current Assets:			
Cash in hand and bank	5	4,145,735	5,111,850
Accounts receivable and prepayment	6	964,520	4,588,659
Amounts due from related parties	7	87,313,690	87,495,203
Taxation recoverable		<u>403,871</u>	<u>403,809</u>
Total Current Assets		<u>92,827,816</u>	<u>97,599,521</u>
Non Current Assets:			
Property, plant and equipment	8	3,449,715	3,986,417
Investments-available-for-sale	9	1,116,554	2,192,988
Deferred taxation	10	<u>7,013,279</u>	<u>4,367,074</u>
Total Non-Current Assets		<u>11,579,548</u>	<u>10,546,479</u>
Total Assets		<u>104,407,364</u>	<u>108,146,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accruals	11	71,006,035	71,405,069
Amounts due to related parties	7	<u>1,677,030</u>	<u>1,658,098</u>
Total Liabilities		<u>72,683,065</u>	<u>73,063,167</u>
Shareholders' Equity:			
Stated capital	12	301,790	301,790
Investment remeasurement reserve		(158,446)	(217,012)
Retained earnings		<u>31,580,955</u>	<u>34,998,055</u>
Total Shareholders' Equity		<u>31,724,299</u>	<u>35,082,833</u>
Total Liabilities and Shareholders' Equity		<u>104,407,364</u>	<u>108,146,000</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24 May 2018 and signed on their behalf by:



 Director



 Director

(The accompanying notes form an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 30 September	
	<u>Notes</u>	<u>2017</u> (\$)	<u>2016</u> (\$)
Income:			
Management fees		1,380	2,142,593
Project management income		11,500	22,227,069
Land management services		1,426,505	172,700
Land and building rental		3,203,969	2,655,553
Interest income		95,334	131,387
Other income		<u>477,150</u>	<u>438,134</u>
		<u>5,215,838</u>	<u>27,767,436</u>
Operating Expenditure:			
Project expenses	13	2,610,625	25,364,159
Other direct expenses	14	<u>2,130,381</u>	<u>2,424,247</u>
		<u>4,741,006</u>	<u>27,788,406</u>
Operating income		<u>474,832</u>	<u>(20,970)</u>
Expenditure:			
Administrative and general expenses	15	6,464,109	8,850,989
Interest and bank charges		<u>27,068</u>	<u>14,995</u>
		<u>6,491,177</u>	<u>8,865,984</u>
Net loss before taxation:		(6,016,345)	(8,886,954)
Taxation	16	<u>2,599,245</u>	<u>2,085,006</u>
Net loss after taxation		(3,417,100)	(6,801,948)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Unrealised gain on available-for-sale financial assets		<u>58,566</u>	<u>9,988</u>
Total Comprehensive Loss for the year		<u><u>(3,358,534)</u></u>	<u><u>(6,791,960)</u></u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	<u>Stated Capital</u> (\$)	<u>Investment Remeasurement Reserve</u> (\$)	<u>Retained Earnings</u> (\$)	<u>Shareholder's Equity</u> (\$)
Balance, 1 October 2015	301,790	(227,000)	41,800,003	41,874,793
Total comprehensive loss for the year	-	9,988	(6,801,948)	(6,791,960)
Balance, 30 September 2016	<u>301,790</u>	<u>(217,012)</u>	<u>34,998,055</u>	<u>35,082,833</u>
Balance, 1 October 2016	301,790	(217,012)	34,998,055	35,082,833
Total comprehensive loss for the year	-	58,566	(3,417,100)	(3,358,534)
Balance, 30 September 2017	<u>301,790</u>	<u>(158,446)</u>	<u>31,580,955</u>	<u>31,724,299</u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
OPERATING ACTIVITIES:		
Net loss before taxation	(6,016,345)	(8,886,954)
Adjustments to reconcile net income from operating activities:		
Depreciation	555,705	672,678
Loss on disposal of fixed asset	-	37,820
Realised loss on redemption of shares	<u>113,046</u>	<u>-</u>
	(5,347,594)	(8,176,456)
Net change in accounts receivable and prepayments	3,624,139	(110,917)
Net change in amounts due from related parties	181,513	(13,390,384)
Net change in accounts payables and accruals	(399,034)	12,003,590
Net change in amounts due to related parties	<u>18,932</u>	<u>341,124</u>
	(1,922,044)	(9,333,043)
Taxes (paid)/recovered	<u>(47,022)</u>	<u>849,979</u>
Cash used in by operating activities	<u>(1,969,066)</u>	<u>(8,483,064)</u>
INVESTING ACTIVITIES:		
Redemption of CLICO Shares	1,021,954	-
Proceeds on disposal	-	41,933
Purchase of fixed assets	<u>(19,003)</u>	<u>(603,404)</u>
Net cash provided by/(used in) investing activities	<u>1,002,951</u>	<u>(561,471)</u>
Net change in cash and cash equivalents	(966,115)	(9,044,535)
Cash and cash equivalent, beginning of year	<u>5,111,850</u>	<u>14,156,385</u>
Cash and cash equivalent, end of year	<u><u>4,145,735</u></u>	<u><u>5,111,850</u></u>
Represented by:		
Cash in hand and at bank	<u><u>4,145,735</u></u>	<u><u>5,111,850</u></u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****1. Incorporation and Principal Business Activity:**

Palo Seco Agricultural Enterprises Limited (PSAEL), (formerly Trinidad Tesoro Agricultural Company Limited) was incorporated on 11 October 1956. It was a wholly-owned subsidiary of Trinidad and Tobago Petroleum Company Limited (TRINTOPEC), a company incorporated in Trinidad and Tobago on 19 November 1985.

In May 2006, the Government of Trinidad and Tobago declared PSAEL a Special Purpose State Enterprise. In June 2008, the company transferred its shares to the Minister of Finance as Corporation Sole, with 1 share held by a nominee, on behalf of the Minister of Finance as Corporation Sole.

The principal activities of the company are the design, construction and management of infrastructure development projects in southern Trinidad, as well as the management of the residual non-oil assets of Petroleum Company of Trinidad and Tobago Limited (PETROTRIN), a company formed in 1993, in which the oil-related assets of TRINTOPEC and the Trinidad and Tobago Oil Company Limited (TRINTOC), were vested.

The company's registered address is 31 Casuarina Avenue Petrotrin Compound, Pointe-a-Pierre.

2. Significant Accounting Policies:**a) Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars rounded to the nearest whole dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

b) Use of estimates -

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. c) **New Accounting Standards and Interpretations -**

i) The company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- | | |
|---------|--|
| IFRS 1 | First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 2 | Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 4 | Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 12 | Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017). |
| IFRS 15 | Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 16 | Leases (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 17 | Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021). |
| IAS 7 | Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017). |

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of Accounting Policies (Cont'd):**c) New Accounting Standards and Interpretations (cont'd) -**

- IAS 12 Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017).
- IAS 28 Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
- IAS 40 Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

d) Property, plant and equipment -

Property, plant and equipment are stated at cost and are being depreciated on the reducing balance basis, at varying rates which are sufficient to write off the cost of the assets over their estimated useful lives as follows:

Lease improvements	-	10%
Building and pastures	-	10%
Furniture and fittings	-	10 - 16 2/3%
Machinery and equipment	-	10%
Computer equipment	-	33 1/3%

No depreciation is charged on freehold land.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of Accounting Policies (Cont'd):e) **Taxation -**Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred income tax is provided, using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

f) **Investments -**i) **Held to maturity**

These investments are stated at amortised cost, less provisions for any permanent diminution in value, with the positive intention of being held to maturity.

ii) **Available for sale**

After initial recognition, the investments, which are classified as “available for sale”, are measured at fair value, with unrealised gains or losses recorded to the Investment Reserve on the Statement of Financial Position. For actively traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction cost necessary to realize the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of Accounting Policies (Cont'd):**g) Financial instruments -**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Summary of Accounting Policies (Cont'd):****g) Financial instruments (cont'd) -**

- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the company or national or economic conditions that correlate with defaults on assets in the company.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of Accounting Policies (Cont'd):g) **Financial instruments (cont'd) -****Financial liabilities**

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

Trade receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Finance Leases

Assets obtained under finance leases are capitalised in the Statement of Financial Position and are depreciated over their estimated useful economic lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability. Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of Accounting Policies (Cont'd):**h) Revenue recognition -****i) Project management services rendered**

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

ii) Rental income

Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

i) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the Statement of Financial Position date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

j) Comparative figures -

Certain changes in the presentation have been made during the year and comparative figures have been restated accordingly. These changes have no impact on the surplus reported for the previous year.

(k) Going concern -

These financial statements have been prepared on the going concern basis, despite the consistent non-receipt of current amounts due from related parties. This has adversely affected the company's ability to fulfill its obligations to various contractors engaged on Ministerial projects. This basis has been deemed appropriate, as it is the company's intention to pursue receipt of amounts due and to refocus on its core business operations.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. **Financial Risk Management:****Financial risk factors****Financial Instruments**

The following table summarizes the carrying amounts and fair values of the company's financial assets and liabilities:

	2017	
	<u>Carrying</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	4,145,735	4,145,735
Accounts receivable and prepayments	964,520	964,520
Amounts due from related parties	87,313,690	87,313,690
Financial Liabilities		
Accounts payable and accruals	71,006,035	71,006,035
Amounts due to related parties	1,677,030	1,677,030
	2016	
	<u>Carrying</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	5,111,850	5,111,850
Accounts receivable and prepayments	4,588,659	4,588,659
Amounts due from related parties	87,495,203	87,495,203
Financial Liabilities		
Accounts payable and accruals	71,405,069	71,405,069
Amounts due to related parties	1,658,098	1,658,098

The company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the company to manage these risks are discussed below:

a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets.

Interest rate sensitivity analysis

The company's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. Financial Risk Management (Cont'd):

a) Interest rate risk (cont'd) -

	Effective Rate (\$)	2017			Non- Interest Bearing (\$)	Total (\$)
		Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)		
Financial Assets						
Cash in hand and at bank	1%	4,145,735	-	-	-	4,145,735
Accounts receivable and prepayments	0%	-	-	-	964,520	964,520
Amounts due to related parties	-	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,313,690</u>	<u>87,313,690</u>
		<u>4,145,735</u>	<u>-</u>	<u>-</u>	<u>88,278,210</u>	<u>92,423,945</u>
Financial Liabilities						
Accounts payable and accruals	0%	-	-	-	71,006,035	71,006,035
Amounts due to related parties	0%	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,677,030</u>	<u>1,677,030</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>72,683,065</u>	<u>72,683,065</u>
2016						
	Effective Rate (\$)	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Non- Interest Bearing (\$)	Total (\$)
Financial Assets						
Cash in hand and at bank	5.9%	5,111,850	-	-	-	5,111,850
Accounts receivable and prepayments	0%	-	-	-	4,588,659	4,588,659
Amounts due to related parties	0%	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,495,203</u>	<u>87,495,203</u>
		<u>5,111,850</u>	<u>-</u>	<u>-</u>	<u>92,083,862</u>	<u>97,195,712</u>
Financial Liabilities						
Accounts payable and accruals	0%	-	-	-	71,405,069	71,405,069
Amounts due to related parties	0%	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,658,098</u>	<u>1,658,098</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>73,063,167</u>	<u>73,063,167</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. **Financial Risk Management (Cont'd):**b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The company's debtors' portfolio is managed and consistently monitored by the company's management. The company has identified the need for the effective management of its trade receivables and has moved to establish better communication with its major customers.

Cash balances are held with high credit quality financial institutions and the company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

Maximum exposure to credit risk before collateral held

The table below represents a worst case scenario of credit risk exposure to the company, without taking into account any collateral held.

	30 September	
	2017	2016
	(\$)	(\$)
Cash in hand and at bank	4,145,735	5,111,850
Accounts receivable and prepayments	964,520	4,588,659
Amounts due from related parties	<u>87,313,690</u>	<u>87,495,203</u>
	<u>92,423,945</u>	<u>97,195,712</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. Financial Risk Management (Cont'd):

(b) Credit risk (cont'd) –

The maximum exposure to credit risk is summarised as follows:

	2017				
	<u>Neither past due nor impaired</u> (\$)	<u>Past due but not impaired</u> (\$)	<u>Impaired</u> (\$)	<u>Allowance for impairment</u> (\$)	<u>Net</u> (\$)
Cash in hand and at bank	4,145,735	-	-	-	4,145,735
Accounts receivable and prepayments	(19,956)	984,476	-	-	964,520
Amounts due from related parties	<u>240,975</u>	<u>90,470,483</u>	<u>-</u>	<u>(3,397,768)</u>	<u>87,313,690</u>
	<u>4,366,754</u>	<u>91,454,959</u>	<u>-</u>	<u>(3,397,768)</u>	<u>92,423,945</u>
	2016				
	<u>Neither past due nor impaired</u> (\$)	<u>Past due but not impaired</u> (\$)	<u>Impaired</u> (\$)	<u>Allowance for impairment</u> (\$)	<u>Net</u> (\$)
Cash in hand and at bank	5,111,850	-	-	-	5,111,850
Accounts receivable and prepayments	(67,400)	4,656,059	-	-	4,588,659
Amounts due from related parties	<u>25,027</u>	<u>90,867,944</u>	<u>-</u>	<u>(3,397,768)</u>	<u>87,495,203</u>
	<u>5,069,477</u>	<u>95,524,003</u>	<u>-</u>	<u>(3,397,768)</u>	<u>97,195,712</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. Financial Risk Management (Cont'd):c) **Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The company is able to make daily calls on its available cash resources to settle financial and other liabilities.

	<u>2017</u>			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash in hand and at bank	4,145,735	-	-	4,145,735
Accounts receivable and prepayments	964,520	-	-	964,520
Amounts due from related parties	<u>87,313,690</u>	<u>-</u>	<u>-</u>	<u>87,313,690</u>
	<u>92,423,945</u>	<u>-</u>	<u>-</u>	<u>92,423,945</u>
Financial Liabilities				
Account payable and accruals	71,006,035	-	-	71,006,035
Amounts due to related parties	<u>1,677,030</u>	<u>-</u>	<u>-</u>	<u>1,677,030</u>
	<u>72,683,065</u>	<u>-</u>	<u>-</u>	<u>72,683,065</u>
	<u>2016</u>			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash in hand and at bank	5,111,850	-	-	5,111,850
Accounts receivable and prepayments	4,588,659	-	-	4,588,659
Amounts due from related parties	<u>87,495,203</u>	<u>-</u>	<u>-</u>	<u>87,495,203</u>
	<u>97,195,712</u>	<u>-</u>	<u>-</u>	<u>97,195,712</u>
Financial Liabilities				
Account payable and accruals	71,405,069	-	-	71,405,069
Amounts due to related parties	<u>1,658,098</u>	<u>-</u>	<u>-</u>	<u>1,658,098</u>
	<u>73,063,167</u>	<u>-</u>	<u>-</u>	<u>73,063,167</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. Financial Risk Management (Cont'd):**d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's measurement currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the company's information technology and control systems, as well as the risk of human error and natural disasters. The company's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error. Additionally, staff is often rotated and trained on an on-going basis.

f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the monitoring controls applied by the company.

g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the company. The company engages in public social endeavours to engender trust and minimize this risk.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the company's accounting policies. See **Note 3(b)**.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future and actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

5. Cash in Hand and Bank:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Cash on Hand	6,000	6,850
Cash at Bank	1,158,295	2,583,695
Short-term investments	<u>2,981,440</u>	<u>2,521,305</u>
	<u>4,145,735</u>	<u>5,111,850</u>

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments. The short-term investments comprise mutual and income funds held at local financial institutions. Interest is earned at 1% (2016: 5.95%) per annum. Cash at bank is also held at local financial institutions.

6. Accounts Receivables and Prepayments:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Accounts receivable	923,300	168,180
Accrued income	43	1,557
Other receivables and prepayments	28,199	9,978
Value Added Tax (VAT) receivable	<u>12,978</u>	<u>4,408,944</u>
	<u>964,520</u>	<u>4,588,659</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. Related Party Balances:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
<u>Amounts due from:</u>		
TRINTOPEC	91,237	34,515
TRINTOC	3,485,942	3,465,784
Ministry of Local Government	32,418,637	33,484,214
Ministry of Works and Infrastructure	4,913,637	4,913,637
Ministry of Labour and Small and Micro Enterprises Development	-	58,104
Ministry of Science, Technology and Tertiary Education	54,158	2,681
PETROTRIN	10,194,443	9,380,632
National Gas Company of Trinidad and Tobago Limited	36,155,636	36,155,636
Community Improvement Services Limited (CISL)	<u>3,397,768</u>	<u>3,397,768</u>
	90,711,458	90,892,971
Less: Provision for impairment	<u>(3,397,768)</u>	<u>(3,397,768)</u>
	<u>87,313,690</u>	<u>87,495,203</u>
<u>Amounts due to:</u>		
PETROTRIN	1,660,155	1,617,298
TRINTOC	<u>16,875</u>	<u>40,800</u>
	<u>1,677,030</u>	<u>1,658,098</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. Property, Plant and Equipment:

Cost:	Freehold Land (\$)	Leasehold Improvements (\$)	Buildings and Pastures (\$)	Furniture and Fittings (\$)	Machinery and Equipment (\$)	Computer Equipment (\$)	Total (\$)
Balance, 1 October 2016	132,414	3,831,603	4,705,148	2,019,875	897,938	2,402,300	13,989,278
Additions	-	15,759	-	977	-	2,267	19,003
Balance, 30 September 2017	<u>132,414</u>	<u>3,847,362</u>	<u>4,705,148</u>	<u>2,020,852</u>	<u>897,938</u>	<u>2,404,567</u>	<u>14,008,281</u>
Accumulated Depreciation:							
Balance, 1 October 2016	-	1,535,933	4,705,148	1,173,311	861,862	1,726,607	10,002,861
Charge for the year	-	231,143	-	91,570	7,215	225,777	555,705
Balance, 30 September 2017	-	<u>1,767,076</u>	<u>4,705,148</u>	<u>1,264,881</u>	<u>869,077</u>	<u>1,952,384</u>	<u>10,558,566</u>
Net Book Value							
Balance, 30 September 2017	<u><u>132,414</u></u>	<u><u>2,080,286</u></u>	<u><u>-</u></u>	<u><u>755,971</u></u>	<u><u>28,861</u></u>	<u><u>452,183</u></u>	<u><u>3,449,715</u></u>
Balance, 30 September 2016	<u><u>132,414</u></u>	<u><u>2,295,670</u></u>	<u><u>-</u></u>	<u><u>846,564</u></u>	<u><u>36,076</u></u>	<u><u>675,693</u></u>	<u><u>3,986,417</u></u>

The freehold lands have not been revalued in accordance with IAS 16 – Property, Plant and Equipment as cabinet has approved the vesting of the said lands to the related company-PETROTRIN.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

8. Property, Plant and Equipment (Cont'd):

Cost:	Freehold Land (\$)	Leasehold Improvements (\$)	Buildings and Pastures (\$)	Furniture and Fittings (\$)	Machinery and Equipment (\$)	Computer Equipment (\$)	Total (\$)
Balance, 1 October 2015	132,414	3,736,603	4,705,148	1,893,952	897,938	2,099,572	13,465,627
Additions	-	95,000	-	131,680	-	376,724	603,404
Disposals	-	-	-	(5,757)	-	(73,996)	(79,753)
Balance, 30 September 2016	132,414	3,831,603	4,705,148	2,019,875	897,938	2,402,300	13,989,278
Accumulated Depreciation:							
Balance, 1 October 2015	-	1,280,859	4,705,148	1,071,883	852,843	1,419,450	9,330,183
Charge for the year	-	255,074	-	101,428	9,019	307,157	672,678
Balance, 30 September 2016	-	1,535,933	4,705,148	1,173,311	861,862	1,726,607	10,002,861
Net Book Value							
Balance, 30 September 2016	<u>132,414</u>	<u>2,295,670</u>	<u>-</u>	<u>846,564</u>	<u>36,076</u>	<u>675,693</u>	<u>3,986,417</u>
Balance, 30 September 2015	<u>132,414</u>	<u>2,455,744</u>	<u>-</u>	<u>822,069</u>	<u>45,095</u>	<u>680,122</u>	<u>4,135,444</u>

The freehold lands have not been revalued in accordance with IAS 16 -- Property, Plant and Equipment as cabinet has approved the vesting of the said lands to the related company-PETROTRIN.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. Investments - Available For Sale:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Quoted Equity		
Investment - CLICO Investment Fund	976,554	2,052,988
Unquoted Equity		
Investment - The Co-operative Citrus Growers' Association of Trinidad and Tobago	<u>140,000</u>	<u>140,000</u>
	<u>1,116,554</u>	<u>2,192,988</u>

10. Deferred Taxation:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Balance, beginning of year	4,367,074	2,112,942
Effect on Statement of Comprehensive Income	<u>2,646,205</u>	<u>2,254,132</u>
Balance, end of year	<u>7,013,279</u>	<u>4,367,074</u>
Deferred taxation is attributable to the following items:		
Excess of net-book value over written down tax value	(128,011)	(118,209)
Taxable losses	<u>7,141,290</u>	<u>4,485,283</u>
	<u>7,013,279</u>	<u>4,367,074</u>

11. Accounts Payable and Accruals:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Trade payables	67,980,662	69,267,921
Accruals and provisions	2,891,618	1,919,130
Other payable	<u>133,755</u>	<u>218,018</u>
	<u>71,006,035</u>	<u>71,405,069</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

12. Stated Capital:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Authorised:		
70,000 ordinary shares of no par value.		
Issued and fully paid:		
60,358 ordinary shares at \$5 per share		
	<u>301,790</u>	<u>301,790</u>

13. Project Expenses:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
NGC Road Rehabilitation and Community Upgrade Projects	(20,915)	21,425,930
PETROTRIN Projects	-	128,068
Government Community Projects	-	626,067
Salaries and wages	2,540,399	3,028,830
Motor vehicle rental and expenses	<u>91,141</u>	<u>155,264</u>
	<u>2,610,625</u>	<u>25,364,159</u>

14. Other Direct Expenses:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Motor vehicle rental and expenses	38,219	270,214
Salaries, benefits and national insurance	<u>2,092,162</u>	<u>2,154,033</u>
	<u>2,130,381</u>	<u>2,424,247</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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15. Administrative and General Expenses:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Public relations and recruitment costs	41,213	115,189
Bad and doubtful debts	9,154	-
Computer and office equipment rental	182,405	224,899
Depreciation	555,702	672,678
Directors' fees and expenses	382,013	420,212
Donation and gifts	1,000	1,565
Insurance	48,132	49,521
Janitorial	121,531	442,556
Building rental expense	36,000	36,500
Motor vehicles rental and expenses	596,568	409,855
Office expenses	211,040	134,541
Professional fees	266,522	1,719,211
Repairs and maintenance	59,377	158,410
Safety expenses	9,484	16,255
Salaries, benefits and national insurance	3,512,304	3,989,445
Security	169,702	145,742
Training and seminars	500	17,418
Utilities	261,462	296,992
	<u>6,464,109</u>	<u>8,850,989</u>

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NOTES TO THE FINANCIAL STATEMENTS

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16. Taxation:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Business Levy	(31,286)	(113,114)
Green Fund Levy	(15,674)	(56,012)
Deferred taxation	<u>2,646,205</u>	<u>2,254,132</u>
	<u>2,599,245</u>	<u>2,085,006</u>
Reconciliation arising from using the basic rate of tax as follows:		
Net loss before taxation	<u>(6,016,345)</u>	<u>(8,886,954)</u>
Tax calculated at 25%	1,504,086	2,221,739
Expenses not deductible for tax purposes	(250)	32,393
Business Levy	(31,286)	(113,114)
Green Fund Levy	(15,674)	(56,012)
Taxable difference - prior year	(26,511)	-
Effects of change in Corporation Tax rate from 25% to 30%	<u>1,168,880</u>	<u>-</u>
	<u>2,599,245</u>	<u>2,085,006</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

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17. **Related Party Transactions:**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the nine-month period were as follows:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Assets		
Amounts due from related parties	<u>87,313,690</u>	<u>87,495,203</u>
Liabilities		
Amounts due to related parties	<u>1,677,030</u>	<u>1,658,098</u>
Income		
Sales from related parties	<u>5,215,838</u>	<u>27,767,316</u>
Expenses		
Directors' fees	<u>382,013</u>	<u>420,212</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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18. Contingent Liabilities:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
i) Performance and rehabilitation bonds	<u>415,788</u>	<u>415,788</u>
Performance and rehabilitation bonds require the company to make payments to third parties in the event that the company does not perform or rehabilitate what is expected of them under the terms of the related contracts. The equivalent value of one of the short-term investments held with a local financial institution has been placed as security for the bonds.		
ii) Provision for legal matters	<u>-</u>	<u>1,487,000</u>
a. Legal action against the company by employee union (on behalf of former employee - SV), in relation to the claim of unfair dismissal, in the amount of \$275,000.		
b. Legal action against the company by employee union (on behalf of former employee - SS), in relation to the claim of unfair dismissal, in the amount of \$275,000.		
c. Legal action against the company by employee union (on behalf of former employee - ADE), in relation to the claim of unfair dismissal, in the amount of \$300,000.		
d. Legal action against the company by former employee - SSL in relation to the claim of unlawful discrimination (race), in the amount of \$165,000.		
e. Legal action against the company by employee union (on behalf of former employee - DS), in relation to the claim of unfair dismissal, in the amount of \$472,000.		
f. Legal action against the company by a third party supplier, in relation to breach of contract for work done/services rendered, in the amount of \$34.575 million. This claim is to be addressed by the Ministry of Finance.		

The above provision was created in the financial year ended 30 September 2016 and no payment was made toward this liability within the financial year ended 30 September 2017.